

Message Text

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ACTION OES-05

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FM USMISSION EC BRUSSELS

TO ERDA GERMANTOWN

SECSTATE WASHDC 8430

UNCLAS EC BRUSSELS 1959

ERDA PASS TO A.S. FRIEDMAN, DIP

E.O. 11652: NA

TAGS: TECH

SUBJECT: CHANGE OF U.S. ERDA'S TRANSACTION TAILS ASSAY POLICH

1. WE ARE TRANSMITTING BELOW THE FULL CONTENTS OF A LETTER SENT BY FELEX OBOUSSIER, DIRECTOR GENERAL, EURATOM SUPPLY AGENCY, WHICH WAS DELIVERED TO SOL ROSEN, ACTING SENIOR ERDA REP., AT 2.30 P.M., MARCH 6. THE ACTUAL LETTER WILL BE POUCHED TO ERDA. CONTENTS ARE BEING CABLED IN ORDER TO MEET ERDA DEADLINE FOR SUBMITTAL OF COMMITMENTS REGARDING TRANSACTION TAILS ASSAY.

2. "US ENERGY RESEARCH & DEVELOPMENT ADMINISTRATION

ATTN: MR. J. RUBIN

MARCH 6, 1975

"SUBJECT: CHANGE IF US ERDA'S TRANSACTION TAILS ASSAY UNDER ENRICHING SERVICES CONTRACTS

"DEAR MR. RUBIN:

"IN THE FEDERAL REGISTER NOTICE OF JANUARY 6, 1975 AT USAEC PUBLISHED ITS INTENTION TO INCREASE THE TRANSACTION TAILS ASSAY FOR ENRICHMENT SERVICES IN TWO STEPS; COMMENTS WERE INVITED ON OR BEFORE MARCH 7, 1975.

"THE EURATOM SUPPLY AGENCY HAS INFORMED TOLL ENRICHING CUSTOMERS

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AND OTHER INTERESTED PARTIES (NATURAL URANIUM PRODUCERS AND

CONVERTORS); THIS IS TO GIVE YOU SOME COMMENTS FOR TRANSMISSION TO ERDA HEADQUARTERS.

"THE MOST IMPORTANT COMMENT WE HAVE TO GIVEN, PARTICULARLY ON BEHALF OF OUR CUSTOMERS, IS: THE INCREASE OF THE TRANSACTION TAILS ASSAY AS ENVISAGED BY ERDA IS TOO LARGE AND TOO EARLY. "INDEED, THE SHORT AND MIDDLE TERM DEVELOPMENT OF THE NATURAL URANIUM MARKET IS CHARACTERIZED BY ANTHING BUT AN EXCESS OF OFFER OVER DEMAND, THE SUDDEN INCREASE IN FEED DEMAND OF ABOUT 15 PERCENT ALREADY NEXT YEAR IS CONSIDERED BY OUR CUSTOMERS AS NOT ACCEPTABLE, EVEN IF THE UNDERLYING MOTIVES ARE UNDERSTOOD AND ONE MIGHT AGREE THAT ANOTHER, HIGHER TRANSACTION TAILS ASSAY BECOMES UNAVOIDABLE IN DUE TIME AND COULD ALSO BE NEARER THE OPTIMUM, ECONOMIC TAILS ASSAY.

"TAKING INTO ACCOUNT THE LONG LEAD TIME NECESSARY BEFORE NEW NATURAL URANIUM BECOMES AVAILABLE ONE MIGHT EVEN FORESEE A SUPPLY GAP DUE TO THE SUDDEN AND RELATIVELY LARGE INCREASE AT SUCH SHORT NOTICE OF THE TRANSACTION TAILS ASSAY: NO PROPECTION/EXPLORATION UNDERTAKEN TODAY DUE TO THAT INCREASE WILL GIVE RESULTS IN 1976 NOR, PROBABLY, IN 1980.

"EXISTING MINING, MILLING, CONVERSION AND TRANSPORT (CYLINDER) CAPACITIES MIGHT NOT EASILY ABSORB THE ABRUPT CHANGE OF DEMAND. EVENTUAL SHORTAGES ARE FURTHER AGGRAVATED BY THE PROBABLY NEED FOR MORE NATURAL URANIUM DUE TO REPROCESSING AND PLUTONIUM RECYCLE BEING BEHIND SCHEDULE.

"LAST BUTNOT NOT LEAST WE ASK YOU TO CONSIDER THE ECONOMIC FACTOR: NUCLEAR POWER WILL AGAIN BECOME MORE EXPENSIVE, SINCE NATURAL URANIUM PRICES ARE RISING SO STEEPLY THAT EVEN AT HIGHER SEPARATIVE WORK COST THE OPTIMUM TAILS ASSAY MIGHT NOT BE AS HIGH AT 0.275.

"WE THEREFORE WOULD ASK YOU TO RECONSIDER THE CONTEMPLATED INCREASE AND EVENTUALLY TO AMEND ACTUAL PROVISIONS SO AS TO HAVE A SLOW STEP BY STEP INCREASE BEGINNING AT A LATER DATE. WE WOULD APPRECIATE STILL MORE, IF ERDA COULD TAKE INTO CONSIDERATION A FLEXIBLE TAILS ASSAY CONCEPT AS OFFERED BY OTHER ENRICHING FACILITIES, WHERE THE CUSTOMER CAN CHOOSE THE TRANSACTION TAILS UNCLASSIFIED

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ASSAY WITHIN A CERTAIN RANGE (E.G. 0.2 TO 0.3) SOME TIME BEFORE HIS DEFINITE ORDER.

"FINALLY, WE WANT YOU TO RECALL A COMMENT WE MADE SOME TIME AGO ON BEHALF OF NATURAL URANIUM PRODUCERS AND CONVERTERS: WOULD IT NOT BE POSSIBLE TO FORESEE SPECIAL FEED ACCOUNTS AT ERDA FOR THEM, TO WHICH THEY COULD DELIVER MATERIAL INDEPENDENTLY FROM EXISTING ENRICHING CONTRACTS NEEDS, SO AS TO BE ABLE TO MAKE BOOK-

TRANSFERS WHENEVERNEED IS?

"THERE IS ONE FINAL QUESTION: DO WE UNDERSTAND CORRECTLY THAT
THE NEW TAILS ASSAY IS APPLICABLE FOR ALL ENRICHED PRODUCTS
DELIVERED AFTER JUNE 30TH, 1976, I.E. FOR FEED DELIVERED AT
LAST 3 MONTHS EARLIER;

"WE WOULD APPRECIATE GETTING ERDA'S REACTION AT YOUR EARLIEST
CONVENIENCE. SINCERELY YOURS,
FELIX OBOUSSIER."
GREENWALD

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